

**REPORT OF THE AUDIT OF THE
GREENUP COUNTY
SHERIFF'S SETTLEMENT - 2009 TAXES**

**For The Period
April 16, 2009 Through April 15, 2010**



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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
GREENUP COUNTY
SHERIFF'S SETTLEMENT - 2009 TAXES

For The Period
April 16, 2009 Through April 15, 2010

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2009 Taxes for the Greenup County Sheriff for the period April 16, 2009 through April 15, 2010. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$17,519,351 for the districts for 2009 taxes, retaining commissions of \$566,607 to operate the Sheriff's office. The Sheriff distributed taxes of \$16,930,417 to the districts for 2009 taxes. Refunds of \$7,213 are due to the Sheriff from taxing districts and \$6,495 is due to the districts from the Sheriff.

Report Comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Robert Carpenter, Greenup County Judge/Executive

Honorable Keith M. Cooper, Greenup County Sheriff

Members of the Greenup County Fiscal Court

Independent Auditor's Report

We have audited the Greenup County Sheriff's Settlement - 2009 Taxes for the period April 16, 2009 through April 15, 2010. This tax settlement is the responsibility of the Greenup County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Greenup County Sheriff's taxes charged, credited, and paid for the period April 16, 2009 through April 15, 2010, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated September 8, 2010 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Robert Carpenter, Greenup County Judge/Executive

Honorable Keith M. Cooper, Greenup County Sheriff

Members of the Greenup County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen

Auditor of Public Accounts

September 8, 2010

GREENUP COUNTY
KEITH M. COOPER, SHERIFF
SHERIFF'S SETTLEMENT - 2009 TAXES

For The Period April 16, 2009 Through April 15, 2010

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 2,188,137	\$ 3,285,279	\$ 8,065,226	\$ 1,508,211
Tangible Personal Property	260,904	666,240	742,492	420,893
Fire Protection	2,984			
Increases Through Exonerations	3,894	5,309	12,393	17,251
Franchise Taxes	281,397	343,481	875,103	
Additional Billings	8,860	12,803	32,550	6,107
Additional Bills (2008)	406	586	1,611	302
Oil Property Taxes	2,268	3,159	8,456	1,563
Gas Property Taxes	1,116	1,555	4,161	769
Penalties	15,449	22,942	56,997	10,802
Adjusted to Sheriff's Receipt	(2)	240	(1)	
Gross Chargeable to Sheriff	<u>2,765,413</u>	<u>4,341,594</u>	<u>9,798,988</u>	<u>1,965,898</u>
<u>Credits</u>				
Exonerations	55,653	78,081	184,287	38,534
Discounts	35,176	58,497	125,716	28,553
Delinquents:				
Real Estate	98,738	150,817	365,261	67,674
Tangible Personal Property	<u>9,138</u>	<u>14,230</u>	<u>25,470</u>	<u>16,717</u>
Total Credits	<u>198,705</u>	<u>301,625</u>	<u>700,734</u>	<u>151,478</u>
Taxes Collected	2,566,708	4,039,969	9,098,254	1,814,420
Less: Commissions *	<u>109,082</u>	<u>171,699</u>	<u>208,713</u>	<u>77,113</u>
Taxes Due	2,457,626	3,868,270	8,889,541	1,737,307
Taxes Paid	2,454,460	3,863,417	8,877,508	1,735,032
Refunds (Current and Prior Year)	<u>3,265</u>	<u>5,021</u>	<u>12,437</u>	<u>2,322</u>
Due Districts or (Refunds				
Due Sheriff) as of		**	***	
Completion of Audit	<u>\$ (99)</u>	<u>\$ (168)</u>	<u>\$ (404)</u>	<u>\$ (47)</u>

*, **, and *** See Next Page.

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY
 KEITH M. COOPER, SHERIFF
 SHERIFF'S SETTLEMENT - 2009 TAXES
 For The Period April 16, 2009 Through April 15, 2010
 (Continued)

* Commissions:

4.25% on	\$ 8,421,097
2.50% on	\$ 5,349,504
2.00% on	\$ 3,748,750

** Special Taxing Districts:

Library District	\$ (91)
Health District	(51)
Wurtland Fire	(6,426)
Lloyd Fire	6,447
Ambulance	<u>(47)</u>

Due District or (Refunds Due Sheriff)	<u>\$ (168)</u>
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*** School Districts:

Common School	\$ 48
Russell School	(313)
Raceland School	<u>(139)</u>

Due District or (Refunds Due Sheriff)	<u>\$ (404)</u>
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GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT

April 15, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
April 15, 2010
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 15, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2009. Property taxes were billed to finance governmental services for the year ended June 30, 2010. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 1, 2009 through April 15, 2010.

Note 4. Interest Income

The Greenup County Sheriff earned \$5,634 as interest income on 2009 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office. As of April 15, 2010, the Sheriff owed \$100 in interest to the Russell school district, \$8 in interest to the Raceland school district and \$30 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Greenup County Sheriff collected \$93,049 of 10% add-on fees allowed by KRS 134.430(3). As of April 15, 2010, the Sheriff owed \$2,064 in 10% add-on fees to his fee account.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To Honorable Robert Carpenter, Greenup County Judge/Executive
Honorable Keith M. Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Greenup County Sheriff's Settlement - 2009 Taxes for the period April 16, 2009 through April 15, 2010, and have issued our report thereon dated September 8, 2010. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greenup County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying comment and recommendation that we consider to be a significant deficiency in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Greenup County Sheriff's Settlement - 2009 Taxes for the period April 16, 2009 through April 15, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Greenup County Sheriff's response to the findings identified in our audit is included in the accompanying comment and recommendation. We did not audit the Sheriff's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Greenup County Fiscal Court, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

September 8, 2010

COMMENT AND RECOMMENDATION

GREENUP COUNTY
KEITH M. COOPER, SHERIFF
COMMENT AND RECOMMENDATION

For The Period April 16, 2009 Through April 15, 2010

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

The Sheriff's Office Lacks Adequate Segregation Of Duties

During our review of internal controls, we found the Sheriff's office lacks adequate segregation of duties. The Sheriff's bookkeeper collects taxes from taxpayers. The bookkeeper also prepares the daily deposit, deposits collections into the bank, posts tax bills into the computer program, prepares the monthly report, prepares checks for tax payments to the districts, and prepares the tax settlement. By not segregating these duties there is an increased risk of misappropriation of assets either by error or fraud. Good internal controls dictate the same employee should not handle, record, and reconcile receipts. The following compensating controls can be implemented to offset these internal control weaknesses:

- The Sheriff should review the disbursements ledger and monthly reports to agree checks.
- The Sheriff should review the receipts ledger and agree it to daily checkout sheets and deposit slips.
- The Sheriff should review the bank statements and reconciliations and agree bank balances to the ledgers.

These reviews can be documented with the Sheriff's initials.

Sheriff's Response: The size of our department and limited budget make this impossible. Every agency I have spoken with has the same problem.

Auditor's Reply: The auditor's recommendations above do not require additional staff or costs, they only require additional documented checks and balances by the Sheriff.

